

## Metropolitan King County Council

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## MEMORANDUM

**DATE:** October 3, 2000  
**TO:** Metropolitan King County Councilmembers  
**FROM:** Don Eklund, King County Auditor  
**SUBJECT:** Special Study Report: School Impact Fees

Attached is the School Impact Fees special study report. The objectives of the special study were to determine the reasonableness of the bases of school impact fees and financial data used in computing the fees, the consistency of the data with the school districts' capital facilities plans, and the adequacy of the county's system for evaluating the information provided by the school districts.

The conclusion of the special study was that the school districts' financial data and the bases for cost elements used in the calculation of school impact fees in 1998 and 1999 were generally reasonable and consistent with the districts' capital facilities plans. Also, the School Technical Review Committee generally had properly discharged its function by adequately reviewing and evaluating the information in the capital facilities plans that were submitted by the school districts. Audit staff believe that it would be beneficial if the School Technical Review Committee provided school districts with written guidelines to assist the districts in the preparation of their capital facilities plans and to address some issues which affect the calculation of school impact fees.

The executive agreed with the study findings and recommendations and offered an alternative method for implementing some of the recommendations. Instead of drafting and presenting written guidelines to the council for adoption, the executive will transmit to the council for its consideration in July 2001 proposed amendments to the King County Code encompassing issues noted in the report. The executive's response to the study is included in its entirety in Appendix 7, and responses to individual recommendations are incorporated into the report text.

The King County School Coalition which represents 10 school districts that were covered in the special study also submitted its response to the special study report. Their response indicated general agreement with the study findings and recommendations except for recommendations 3-1 and 5-1. The coalition disagrees with the recommendations that urge the School Technical Review Committee to develop and submit to Metropolitan King County Council for its approval proposed guidelines which address the process and the frequency of the development of student factors and accounting and other issues relevant to the calculation of school impact fees. The coalition believes that the process should recognize the diversity among school districts which are reflected in their capital facilities plans. The coalition response is shown in Appendix 8.

We appreciate the excellent cooperation of the members of the School Technical Review Committee and the staff, management, and representatives of the twelve school districts.

DE:BG:jw

# **SPECIAL STUDY**

## **SCHOOL IMPACT FEES**

Presented to  
the Metropolitan King County Council  
by the  
County Auditor's Office

Don Eklund, King County Auditor  
Bert Golla, Senior Financial Auditor

Report No. 2000-06

# TABLE OF CONTENTS

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	<u>PAGE</u>
Report Summary	ii
Auditor's Mandate	ix
<b>Chapters</b>	
Chapter 1 Introduction	1
Chapter 2 Findings and Recommendations	7
<b>Exhibits</b>	
Exhibit A School Impact Fees per Dwelling Unit From 1992 Through 1999	3
Exhibit B Student Factors Used Constantly for at Least Three Years	14
<b>Appendices</b>	
Appendix 1 1998 and 2004 Projected Enrollment, Permanent and Temporary Facilities	25
Appendix 2 School Impact Fees Collected in Unincorporated King County Areas From 1991 Through September 1999	27
Appendix 3 Formula for Determining School Impact Fees	29
Appendix 4 School Impact Fee Calculation	31
Appendix 5 Estimated Cost of Site, Permanent and Temporary Facilities, and Bases Used in the 1998 and 1999 Calculation of School Impact Fees	35
Appendix 6 Annual School Capital Facility Planning Schedule	41
Appendix 7 Executive Response	43
Appendix 8 King County School Coalition Response	47

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## **Abbreviations**

DDES	Department of Development and Environmental Services
OSPI	Office of Superintendent of Public Instruction
STRC	School Technical Review Committee

# REPORT SUMMARY

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## **Introduction and Background**

The special study of School Impact Fees in the unincorporated areas of King County was included in the King County Auditor's Office 1999 work program adopted by the Metropolitan King County Council.

Residential growth development has contributed to an increase in student population in several school districts located in King County. With the increase in students, school districts have to build schools or expand their existing facilities for the additional space needed to serve growth. In most cases, school districts' funds have not been sufficient to provide for growth in classroom space. Consequently, in 1991 the King County Council, authorized by state law, adopted a school impact fee ordinance to provide an additional source of funds to school districts reasonably related to the impacts caused by growth in residential development within each district. In order for the impact fees to be collected in the incorporated areas, each city, by request of the school districts, must adopt its own school impact fee ordinance.

The county, through the Department of Development and Environmental Services, assesses sixty-five dollars (\$65.00) per dwelling unit for the cost of administering the school impact fee program. DDES retained about \$188,000 in 1998 and \$181,000 in 1999 from collected school impact fees for administration costs.

**Study Objectives**

The objectives of the special study were to determine the reasonableness of the basis of School Impact Fees and the financial data used in computing school impact fees, the consistency of the data with the districts' capital facilities plans, and the adequacy of the county's system for evaluating the information provided by the school districts.

**General Conclusion**

The general conclusion of the special study was that the school districts' financial data and the bases for cost elements used in the calculation of school impact fees in 1998 and 1999 were generally reasonable and consistent with the districts' capital facilities plans. Also, the School Technical Review Committee (STRC) generally had properly discharged its function by adequately reviewing and evaluating the information in the capital facilities plans that were submitted by the school districts.

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**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

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**Finding 1 (Page 7)**

**The School Districts' Financial Data and The Bases for Cost Elements Used in the Calculation of School Impact Fees in 1998 and 1999 Were Generally Reasonable and Consistent With the Districts' Capital Facilities Plans.**

Audit staff noted that the financial data and the bases used by the school districts for estimating the cost of site acquisition, cost of permanent and relocatable facilities, and other factors that were used in the formula for determining school impact fees were generally reasonable and consistent with the districts' capital facilities plans. The estimates and the bases used for the cost elements such as site acquisition, and construction of permanent and relocatable facilities by various school districts in 1998 and 1999 are shown in Appendix 5.

**Finding 2 (Page 9)****The School Districts Could Improve the Process of Computing School Impact Fees by Identifying and Disclosing in the Capital Facilities Plan the Bases Used in Estimating Cost Elements and the Changes in the Bases, if Any, During the Reporting Year.**

As a part of the annual update process, school districts may propose changes to the cost and associated bases. Consistent with this procedure, the study noted in the review of the capital facilities plans that some school districts changed their bases in estimating the cost elements from one year to the next year. Many of the changes in the bases used were not clearly identified and disclosed in the capital facilities plans.

In order to achieve consistency and better understanding of the methods used in estimating the cost elements, **the study recommended** that each school district should, as much as practicable, maintain a consistent application of the bases for its school impact fees from year to year. However, recognizing that district-specific circumstances may require a change in bases or methodologies used, each district should identify the bases used in the computation of impact fees in its capital facilities plan, and if the basis has changed, explain the rationale for the change.

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**Finding 3 (Page 13)****The Student Factors by Grade Span (Elementary, Middle/Junior High, and High School) Which Were Used by Some School Districts in the Calculation of School Impact Fees Were Not Current.**

The “student factor” as defined in the King County Code is the number derived by a school district to describe how many students of each grade span are expected to be generated by each single family and multi-family dwelling unit. Student factors

are developed based on the school district records of average actual student generation rates for new developments constructed over a period of not more than five years prior to the date of calculation. If the district does not have such information available, the data from adjacent districts with similar demographics, or countywide averages, could be used.

School districts generally updated their student generation factors every year except for Fife and Issaquah School Districts which used the same student factors data for the last three and four years, respectively.

Audit staff believe that current student generation factors should be used in the calculation of school impact fees to determine fairly the share in the cost of providing space for students generated by the new residential developments.

**The study recommended** that School Review Technical Committee should develop and submit, to the Metropolitan King County Council for its approval, proposed guidelines which address the process and frequency (e.g., annual, biennial) of the development of student factors which are used in the calculation of school impact fees for single family and multi-family units.

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**Finding 4 (Page 15)**

**The School Technical Review Committee Generally Had Properly Discharged Its Function by Adequately Reviewing and Evaluating the Information in the Capital Facilities Plans That Were Submitted by the School Districts.**

The School Technical Review Committee (STRC) is responsible for reviewing each school district's capital facilities plan, enrollment projections, standard of service, the district's overall capacity for the next six (6) years to ensure consistency with the

Growth Management Act, King County Comprehensive Plan, adopted community plans, and the district's calculation and rationale for the proposed impact fees.

The STRC conducted many meetings with the representatives of the school districts. The districts' representatives made presentations of their capital facilities plans and provided answers to questions and information requested by the committee. The meetings were advertised and open to the public. Audit staff noted that there were no formal written minutes of the meetings which could be made available to the public. Audit staff believe that the STRC is required to maintain minutes of its public meetings.

**The study recommended** that STRC should keep and maintain complete written minutes of its meetings and such records should be readily made available for public inspection. The administrative fee collected by King County for administering the school impact fee program should be applied to support STRC staffing for this purpose.

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**Finding 5 (Page 18)**

**It Would Be Beneficial if the School Technical Review Committee Provided School Districts With Written Guidelines to Assist the Districts in the Preparation of Their Capital Facilities Plans and to Address Some Issues Which Affect the Calculation of School Impact Fees.**

The STRC is charged with the responsibility of reviewing and approving the school districts' draft capital facilities plans and the calculation of school impact fees.



Audit staff noted that the STRC had not provided written policy guidelines to school districts to assist them in the preparation of the capital facilities plans. The purpose of written policy guidelines would be to clearly state the committee's expectations and how the school districts should address certain aspects of the plans that are required by the King County Code to be considered in the review.

Audit staff also noted that the STRC had not provided school districts with written policy guidelines to help district staff address accounting and other issues affecting certain cost elements of the school impact fees.

**The study recommended** that the School Technical Review Committee should develop, and submit to the Metropolitan King County Council for its approval, proposed guidelines on the preparation of capital facilities plans and the calculation of school impact fees, which include its expectations and information that should be included in the districts' capital facilities plans. Furthermore, written policy guidelines should provide direction or suggested alternatives to school districts on how to handle certain accounting issues affecting cost elements of school impact fees.

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**Finding 6 (Page 20)**

**Initiative 695, Which Was Approved by the Voters of the State of Washington in the November 1999 General Election, May Affect Future Increases to School Impact Fees by Requiring Approval of the Voters in the School District.**

The initiative, which took effect on January 1, 2000, sets the amount of \$30 as the base for the annual motor vehicle excise tax for all vehicles. The initiative also requires voter approval for

new or increased taxes or fees proposed by the state, county and local government, including impact fees. Initiative 695 is currently under legal challenge by some groups in the state of Washington, and has been ruled unconstitutional by the King County Superior Court. Review is pending before the State Supreme Court.

**The study recommended** that King County and the school districts should continue to monitor the Initiative 695 judicial review process.

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## AUDITOR'S MANDATE

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The special study of school impact fees was conducted by the County Auditor's Office pursuant to Section 250 of the King County Home Rule Charter and Chapter 2.20 of the King County Code.

# 1 INTRODUCTION

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## **Background**

The special study of School Impact Fees in the unincorporated areas of King County was included in the King County Auditor's Office 1999 work program adopted by the Metropolitan King County Council.

## **School Districts Have to Build New or Expand Existing Facilities to Meet Capacity Needs**

Residential growth development has contributed to an increase in student population in school districts located in King County. With the increase in students, school districts have to build new facilities or expand their existing facilities for additional classroom space needed to serve growth. As a short-term solution to capacity needs, students may have to attend classes in overcrowded classrooms or temporary facilities, also commonly known as portables or relocatables.

Appendix 1 shows the 1998 enrollment populations and capacities in permanent facilities in the twelve school districts that are participating in the King County school impact fee program, and the projected enrollments in permanent and temporary facilities in 2004. Enrollment increases for the school districts were projected in a range from 2.37% to 28.32% in the next six years; thus, most school districts plan to build adequate space for students in the future.

## **Districts' Funds Not Enough to Provide for Growth in Classroom Space**

In most cases, school districts' funds have not been sufficient to provide for growth in classroom space. Consequently, in 1991 the King County Council, authorized by state law, adopted a school impact fee ordinance which was codified in the King County Code, Chapters 21A.28, 21.A.43, and 27.44. The ordinance was designed to provide an additional source of fund to school districts reasonably related to the impacts caused by

**Capital Facilities  
Plans Reflect Specific  
Needs and Policies of  
Each School District**

residential growth within each district.

Each school district that participates in the school impact fee program prepares a capital facilities plan consistent with the requirements of the Growth Management Act and the King County Code governing school impact fees. The capital facilities plans reflect the specific needs and policies of each individual school district. These plans are reviewed and approved by the school district's board of directors through an open, public process. The plans are then reviewed by the King County School Technical Review Committee (STRC) pursuant to KCC 21A.28.154, and in the context of each school district's particular circumstances and needs. As a part of the review process, the STRC can recommend specific changes to individual plans.

Following a review of school capital facilities plans by the STRC, the individual plans are presented to and reviewed by the Metropolitan King County Council's Growth Management and Unincorporated Areas Committee. The County Council approves an ordinance adopting the school districts' capital facilities plans. The ordinance also adopts the school impact fee schedule for single family and multi-family residential units located in the school districts that are participating in the King County school impact fee program.

Exhibit A shows the amount of impact fees, including the annual average fee, median fee, and high and low fees charged for each single family and multi-family residential unit in the unincorporated areas of King County, by school district, from 1992 through 1999.

**EXHIBIT A**  
**School Impact Fees per Dwelling Unit**  
**From 1992 Through 1999**

School District	1992	1993	Single Dwelling		1996	1997	1998	1999
			1994	1995				
Auburn							\$3,125	\$3,517
Enumclaw				\$3,113	\$1,978	\$1,360	\$3,081	\$2,144
Federal Way	\$1,587	\$1,951	\$2,518	\$1,707	\$2,594	\$2,372	\$2,883	\$2,383
Fife					\$2,134	\$2,123	\$2,300	\$2,521
Highline		\$3,167	\$2,123	\$2,577	\$2,572	\$2,560	\$2,405	\$1,031
Issaquah	\$1,767	\$1,845	\$2,792	\$2,750	\$2,593	\$2,797	\$6,142	\$6,131
Kent		\$3,221	\$3,381	\$3,675	\$3,640	\$3,513	\$3,744	\$3,782
Lake Washington		\$2,827	\$2,957	\$2,776	\$2,917	\$3,178	\$3,716	\$4,279
Northshore		\$2,983	\$2,888	\$2,963	\$2,424	\$2,240	\$2,690	\$3,404
Riverview	\$2,099	\$1,713	\$2,013	\$1,953	\$1,780	\$473	\$2,810	\$2,807
Snoqualmie Valley		\$3,886	\$3,068	\$3,229	\$3,295	\$3,018	\$3,490	\$3,411
Tahoma	\$3,080	\$2,986	\$3,018	\$2,725	\$2,401	\$2,765	\$2,847	\$2,665
Average Fee	\$2,133	\$2,731	\$2,751	\$2,747	\$2,575	\$2,400	\$3,269	\$3,173
Median Fee	\$1,933	\$2,983	\$2,888	\$2,763	\$2,572	\$2,560	\$2,982	\$3,106
High Fee	\$3,080	\$3,886	\$3,381	\$3,675	\$3,640	\$3,513	\$6,142	\$6,131
Low Fee	\$1,587	\$1,713	\$2,013	\$1,707	\$1,780	\$473	\$2,300	\$1,031

  

School District	1992	1993	Multi-family Dwelling		1996	1997	1998	1999
			1994	1995				
Auburn							\$1,253	\$1,088
Enumclaw				\$2,175	\$1,299	\$922	\$2,047	\$636
Federal Way	\$715	\$965	\$1,355	\$1,423	\$1,462	\$1,058	\$874	\$786
Fife					\$1,249	\$1,270	\$1,358	\$1,462
Highline		\$2,415	\$1,868	\$1,535	\$1,534	\$1,109	\$676	\$114
Issaquah	\$1,108	\$1,095	\$1,146	\$1,131	\$1,112	\$609	\$1,432	\$1,412
Kent		\$1,684	\$1,773	\$1,936	\$1,733	\$1,721	\$1,888	\$2,329
Lake Washington		\$1,116	\$1,179	\$1,151	\$307	\$166	\$170	\$69
Northshore		\$461	\$743	\$803	\$1,398	\$1,028	\$387	\$0
Riverview	\$1,584	\$1,485	\$1,014	\$637	\$583	\$111	\$607	\$599
Snoqualmie Valley		\$2,661	\$1,676	\$1,459	\$1,243	\$918	\$640	\$647
Tahoma	\$2,700	\$1,364	\$1,744	\$1,925	\$1,008	\$1,077	\$801	\$1,008
Average Fee	\$1,527	\$1,472	\$1,389	\$1,418	\$1,175	\$908	\$1,011	\$846
Median Fee	\$1,346	\$1,364	\$1,355	\$1,441	\$1,249	\$1,028	\$838	\$717
High Fee	\$2,700	\$2,661	\$1,868	\$2,175	\$1,733	\$1,721	\$2,047	\$2,329
Low Fee	\$715	\$461	\$743	\$637	\$307	\$111	\$170	\$0

SOURCE: School Technical Review Committee & Ordinances

As shown in Exhibit A, the annual average school impact fee per single family unit had increased by 48% from \$2,133 in 1992 to \$3,173 in 1999, and decreased by 44% per multi-family dwelling unit, from \$1,527 in 1992 to \$846 in 1999. The median impact fees for single family units increased by 60%, from \$1,933 in 1992 to \$3,106 in 1999, and decreased by 46% for multi-family dwelling units, from \$1,346 in 1992 to \$717 in 1999.

In order for the impact fees to be collected in the incorporated areas, each city, by request of the school districts, must adopt its own school impact fee ordinance. Generally, most of the incorporated cities in King County have adopted the same formula as the county for determining school impact fees for single family and multi-family residential units.

**Some Housing  
Developments Are  
Excluded From  
Application of Impact  
Fees**

The county excludes certain housing developments from the application of impact fees. Some of these excludable developments are housing exclusively for senior citizens; reconstruction, remodeling, or replacement of existing dwelling units which do not result in additional new dwelling units; shelters for temporary placement, relocation facilities, transitional housing facilities, and community residential facilities; development activity that is exempt from payment of impact fee or for which school impacts have been mitigated; housing units which fully qualify as housing for persons age 55 and over under the Federal Housing Amendment Act of 1988; and accessory dwelling units.

**Impact Fees Are  
Assessed and  
Collected by DDES**

Impact fees are assessed and collected by the Department of Development and Environmental Services (DDES) on behalf of the school districts for every new dwelling unit in the district in unincorporated King County areas for which a fee has been established. The county maintains a separate account for each school district.

Appendix 2 shows the total amount of school impact fees from single family and multi-family units in unincorporated King County that were collected by the DDES on behalf of school districts from 1991 through September 1999. The cumulative total amount collected for eight years and nine months was approximately \$32,500,000. The total of average annual collections by school districts was approximately \$4,614,000.

The county, through the DDES, assesses sixty-five (\$65.00) per dwelling unit for the cost of administering the school impact fee program. DDES retained about \$188,000 in 1998 and \$181,000 in 1999 from collected school impact fees for administration costs.

### **Study Objectives**

The objectives of the special study were to determine the reasonableness of the basis of school impact fees and the financial data used in computing the fees, the consistency of the data with the district's capital facilities plans, and the adequacy of the county's system for evaluating the information provided by the school districts.

### **Study Scope and Methodology**

The scope of the study was limited to the review of school district capital facilities plans for 1998 and 1999 focusing particularly on the bases applied for site acquisition costs, construction facilities costs, relocatable facilities, and other factors used in the formula for determining school impact fees.

Audit staff reviewed state laws and county ordinances, and the School Technical Review Committee's records and reports pertaining to its review of the capital facilities plans of various school districts. Audit staff also interviewed key staff and management involved in the preparation of the capital facilities plans of the following school districts: Auburn No. 408, Enumclaw No. 216, Federal Way No. 210, Fife No. 417, Highline No. 401, Issaquah No. 411, Kent No. 415, Lake Washington No. 414,



Northshore No. 417, Riverview No. 407, Snoqualmie Valley No. 410, and Tahoma No. 409. Financial data and some supporting records from the school districts, Office of Superintendent of Public Instruction (OSPI), Puget Sound Educational Services, and King County were also reviewed.

# 2 FINDINGS AND RECOMMENDATIONS

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## FINDING 1

**THE SCHOOL DISTRICTS' FINANCIAL DATA AND THE BASES FOR COST ELEMENTS USED IN THE CALCULATION OF SCHOOL IMPACT FEES IN 1998 AND 1999 WERE GENERALLY REASONABLE AND CONSISTENT WITH THE DISTRICTS' CAPITAL FACILITIES PLANS.**

**There Is an Established Formula to Determine Impact Fees for Single and Multi-Family Units**

School impact fees represent the estimated cost of providing school facilities to serve students generated by new development. The impact fee is determined by applying the formula attached to the ordinance which created the school impact fee program. This formula has a separate calculation of the impact fees for single and multi-family residential units. The formula for school impact fees and explanation of some of the factors used in the calculation are shown in Appendix 3. Samples of the application of the formula to calculate the school impact fees for single family and multi-family units are shown in Appendix 4.

**Developer Obligation Is Determined by Dividing Unfunded Need by Two**

The basic elements of school impact fees include the cost of site acquisition plus the cost of construction of permanent facilities and relocatable facilities for each grade span (elementary, middle/junior high school, and high school), less the state matching fund contribution and anticipated tax credit. The formula also provides credit for school facilities or sites actually provided by a developer which the school district finds to be acceptable. Other factors used in the formula are student generation rates, facility size, square footage of permanent and relocatable facilities, boeckh index (a construction trade index of construction costs for various kinds of buildings), state matching

rate, average assessed value of residential properties, capital property tax levy rate, and the current bond index rate. Pursuant to King County Code, the developer obligation for school impact fees is determined by dividing the total unfunded need by two or fifty percent (50%) of the unfunded need amount.

The county ordinance mandates that the school districts provide the underlying data for the school impact fee calculations, including the estimated cost of school construction. Furthermore, the calculation formula included a footnote which states that the district is to provide its own site and facilities standards and projected costs consistent with the requirements of the ordinance.

**Bases and Other  
Factors Used by  
Districts Are Generally  
Reasonable**

Audit staff noted that the financial data and the bases used by the school districts for estimating the cost of site acquisition, cost of permanent and relocatable facilities, and other factors that were used in the formula for determining school impact fees were generally reasonable and consistent with the districts' capital facilities plans. The estimated amounts and the bases used for basic cost elements such as site acquisition, and construction of permanent and relocatable facilities by various school districts in 1998 and 1999 are shown in Appendix 5.

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**RECOMMENDATION**

None. However, see the following findings and recommendations.

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**FINDING 2**

**THE SCHOOL DISTRICTS COULD IMPROVE THE PROCESS OF COMPUTING SCHOOL IMPACT FEES BY IDENTIFYING AND DISCLOSING IN THE CAPITAL FACILITIES PLAN THE BASES USED IN ESTIMATING COST ELEMENTS AND THE CHANGES IN THE BASES, IF ANY, DURING THE REPORTING YEAR.**

**Due to Varying Circumstances and Policies, Districts Rely on Several Means for Estimating Costs**

Due to varying circumstances and policies from district to district, the school districts as a group rely on several appropriate means for estimating the costs of land to be used and the cost of permanent and portable facilities that are planned to be constructed to address capacity needs. Some of the bases used by school districts in 1998 and 1999 for computing school impact fees were actual purchase price of the land, average price of land acquisitions, average purchase price plus inflation rate, and appraisal value or estimated costs to buy land for a school site. The same alternative methods are also available to estimate the cost of construction of permanent facilities. Some bases used included estimated or budgeted costs and actual costs of previously constructed schools. The bases for estimating the cost of portables included the actual cost of core or “shell” portables which were previously bought, cost of portables plus installation and other placement costs, and bid cost for portables.

**Some School Districts Changed Their Bases in Estimating Costs From One Year to the Next Year**

As a part of the annual update process, school districts may propose changes to the costs and associated bases. Consistent with this procedure, the study noted in the review of the capital facilities plans that some school districts changed their bases in estimating the cost elements from one year to the next year. Many of the changes in the bases used were not clearly identified in the plans. Some examples include:

- **Issaquah School District Capital Facilities Plans for 1997 and 1998**

In calculating the cost of site acquisition in the 1997 capital facilities plan for elementary schools, the Issaquah School District used as a basis the most current cost of land purchased for Endeavor Elementary School which was \$22,368 per acre. In the 1998 and 1999 capital facilities plans, the school district changed its basis for the cost of site acquisition to average cost per acre from the last three land acquisitions for its elementary schools. The result was that the average cost per acre for elementary school had changed from \$22,368 in 1997 to \$195,000 in 1998. Consequently, the change in the basis increased the school impact fee portion for site acquisition for an elementary school that developers had to pay in 1998 for single family and multi-family units by about \$490 and \$130, respectively. The description of the basis used and impact of the change in the basis for site acquisition were not effectively disclosed in the capital facilities plan. However, the Issaquah School District advised audit staff that this issue was discussed in detail at the School Technical Review Committee meeting and before the King County Council prior to the adoption of the updated impact fees.

- **Northshore School District Capital Facilities Plans for 1998 and 1999**

The estimated cost of site acquisition for an elementary school was \$106,061 per acre in the Northshore School District's capital facilities plan in 1998. The basis for this site cost was the cost of the actual site bought (Kokanee Elementary School) by the school district in 1998. In 1999, the school district's capital facilities plan showed a zero amount for the cost of site acquisition for the elementary school due to the fact that the district did not plan to build a new elementary school in the six-year horizon. The change

in basis resulted in a decrease in the school impact fee that developers had to pay by about \$570 and \$120 in 1998 for single family and multi-family units, respectively. Although the school district indicated in its capital facilities plan the basis used for site acquisition cost in 1999, the plan did not specifically identify the change in the basis used from the 1998 capital facilities plan.

- **Riverview School District Capital Facilities Plans for 1997 Through 1999**

The estimated cost of site acquisition for a middle school in the 1997 calculation of school impact fees was \$7,721 which was the average cost per acre for two acquisitions made by the district. In 1998, the district changed the basis for its site acquisition cost by using the most recently purchased lot cost plus a six percent inflation factor, totaling \$18,725 per acre. Thus, the impact fee portion for site acquisition of the middle school in 1998 increased by about \$110 and \$20 for single family and multi-family units, respectively. In the 1999 capital facilities plan, the school district reverted to averaging the cost of previous site acquisitions which totaled \$9,088 per acre. The impact fee portion for site acquisition of the middle school decreased by about \$60 and \$20 in 1998 for single family and multi-family units, respectively. The change in the basis used in 1998 was not explained in the capital facilities plan.

**School Districts  
Should as Much as  
Practicable Maintain  
a Consistent  
Application of Bases**

In order to achieve consistency and better understanding of the methods used in estimating the cost elements, each school district should, as much as practicable, maintain a consistent application of the bases for its school impact fees from year to year. However, recognizing that district-specific circumstances may require a change in bases or methodologies used, each district should identify the bases used in the computation of

impact fees in its capital facilities plan, and if the basis has changed, explain the rationale for the change.

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## RECOMMENDATIONS

- 2-1** The school districts should include in their capital facilities plans a summary disclosure statement of the bases used for cost of site acquisition, permanent and temporary facilities, and other factors used in the calculation of school impact fees. The districts should also include an explanation for the changes in the bases or methodologies used.

### **Executive Response**

*“Agree. As noted in audit report the School Technical Review Committee (STRC) annually compiles an impact fee comparison spreadsheet that contains comprehensive information by school district of each element of the impact fee formula. Changes in the numbers for each factor of the formula are apparent on the spreadsheet. STRC members inquire into the reasons for the changes as part of the annual review cycle.”*

*“Some of the districts currently provide this information in their capital facilities plans while others do not. KCC21A.28.154 addresses the information to be provided to King County on an annual basis. The STRC will prepare a code amendment for the Council’s consideration that will include the information recommended by the Auditor by July 2001.”*

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- 2-2** Each school district should as much as practicable use consistent bases from year to year, or include a summary of the reasons for any of the changes.

### **Executive Response**

*“Agree. This recommendation will be included in the code amendment mentioned in the response to Recommendation 2-1.”*

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**FINDING 3****THE STUDENT FACTORS BY GRADE SPAN (ELEMENTARY, MIDDLE/JUNIOR HIGH, AND HIGH SCHOOL) WHICH WERE USED BY SOME SCHOOL DISTRICTS IN THE CALCULATION OF SCHOOL IMPACT FEES WERE NOT CURRENT.**

The “student factor” as defined in the King County Code is the number derived by a school district to describe how many students of each grade span (elementary, middle/junior high, and high school) are expected to be generated by each single family and multi-family dwelling unit. According to the impact fee formula adopted by the Metropolitan King County Council, student factors are to be based on the district records of average actual students generation rates for new developments constructed over a period of not more than five years prior to the date of fee calculation. If a school district does not have such information available, the data from adjacent districts with similar demographics, or countywide averages, could be used. Some school districts had developed their student factors from available data. Other districts had developed the student factors for single family units and used the averages of student factors data developed by adjacent school districts for multi-family residential units.

**Fife and Issaquah School Districts Used the Same Student Factors Data for the Last Three or Four Years**

Audit staff noted that school districts generally updated their student generation factors every year. Exhibit B shows that the Fife and Issaquah School Districts used the same student factors data for the last three or four years in their calculation of school impact fees.



**EXHIBIT B****Student Factors Used Constantly for at Least Three Years**

School District	Single Family Dwelling			Multi-family Dwelling		
	Elementary School	Junior High School	High School	Elementary School	Junior High School	High School
Fife <sup>(a)</sup>	0.483	0.176	0.153	0.244	0.092	0.076
Issaquah <sup>(b)</sup>	0.399	0.165	0.127	0.105	0.039	0.049

(a) The same student factors were used in the calculation for 1996 through 1999.

(b) The same student factors were used in the calculation for 1997 through 1999.

**SOURCE:** School Districts Capital Facilities Plans

The numbers in the table above represent the ratio of student population increase in the school district which was attributable to growth. The table above indicates that Fife School District and Issaquah School District had been using the same student generation rates for single family and multi-family dwelling units in the calculation of school impact fees for four and three years, respectively.

However, the King County Code does not specify as to how often (e.g., annual, biennial) the school districts should update the student factors which are used in determining school impact fees. Audit staff believe, however, that current student generation factors should be used in the calculation of school impact fees to determine fairly the share in the cost of providing space for students generated by the new residential developments.

**RECOMMENDATION**

- 3-1** The STRC should develop and submit to Metropolitan King County Council for its approval proposed guidelines which address the process and the frequency (e.g., annual, biennial) of the development of student factors which are used in the calculation of school impact fees for single family and multi-family units (see similar recommendation to Finding 5).

**Executive Response**

*“Agree to the recommendation but suggest an alternative implementation method. In addition to the frequency of updates there are other ambiguities in the code regarding the student generation numbers, some of which are the subject of an appeal pending in Superior Court. This recommendation will be included in the code amendment mentioned in the response to Recommendation 2-1. A code amendment is preferable to guidelines to address these issues. Unlike the code, guidelines are not readily available to the public. In addition, guidelines are not generally recognized as binding like administrative rules. The STRC has no authority to adopt administrative rules. A change to the code on the other hand would be both readily available to the public and binding.”*

**FINDING 4**

**THE SCHOOL TECHNICAL REVIEW COMMITTEE  
GENERALLY HAD PROPERLY DISCHARGED ITS  
FUNCTION BY ADEQUATELY REVIEWING AND  
EVALUATING THE INFORMATION IN THE CAPITAL  
FACILITIES PLANS THAT WERE SUBMITTED BY THE  
SCHOOL DISTRICTS.**

**School Impact Fee  
Ordinance Created  
STRC**

One of the key provisions of the school impact fee ordinance that was adopted by the King County Council in 1991 was the creation of a School Technical Review Committee (STRC). The committee is composed of four county staff persons, one each from the Department of Development and Environmental Services, the Planning and Community Development Division, the Office of Financial Management (Department of Finance), and the County Council. The STRC is responsible for reviewing each school district's capital facilities plan and the school impact fee calculations, enrollment projections, standard of service, the district's overall capacity for the next six (6) years to ensure consistency with the Growth Management Act, King County Comprehensive Plan, adopted community plans, and the district's calculation and rationale for the proposed impact fees.

**STRC Reviews and Approves Capital Facilities Plans and Calculation of School Impact Fees**

Prior to the submission of the plans to the STRC, each school district's board of directors reviews and adopts the capital facilities plans in an open, public process. The STRC reviews and approves the capital facilities plans and the calculation of school impact fees and prepares an annual report and draft ordinance to adopt the plans and impact fees. In conjunction with the budget process, the Metropolitan King County Council approves an ordinance adopting the districts capital facilities plans and the school impact fees which become effective January 1<sup>st</sup> of the following year.

The annual school capital facility planning schedule is shown in Appendix 6.

**STRC Conducted Many Meetings With Representatives of the School Districts**

Included in the process of its review of the capital facilities plans, the STRC conducted many meetings with the representatives of the school districts. The districts' representatives made presentations of their capital facilities plans and provided answers to questions and information requested by the committee. The meetings were advertised and open to the public.

**There Were No Formal Written Minutes of the Meetings**

Relating to the minutes of the public meetings conducted by STRC, audit staff noted that there were scribbled and incomplete notes about the meetings in the file maintained by a member of the committee, and there were no formal written minutes of the meetings which could be made available to the public. State law provides that except for executive sessions, any subagency of a public agency which is created pursuant to statute, ordinance, or other legislative act, including but not limited to planning commissions, library or park boards, commissions, and agencies, is required to keep minutes of all regular and special meetings which shall be open to public inspection. Audit staff believe that the STRC is required to maintain minutes of its public meetings.

The STRC also compiles an annual impact fee comparison containing comprehensive information by school district of each year's update. The impact fee comparison is distributed to the Metropolitan King County Council and is available to the public at public meetings. The council's Growth Management and Unincorporated Affairs Committee and the full council hold open, public hearings on the proposed amendments and fee schedules.

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**RECOMMENDATION**

- 4-1** The School Technical Review Committee should keep and maintain complete written minutes of its meetings and such records should be readily made available for public inspection. The administrative fee collected by King County for administering the School Impact Fee Program should be applied to support STRC staffing for this purpose.

***Executive Response***

*"Agree. This recommendation is currently being implemented. The meetings were taped and summary minutes are being prepared and will be distributed to attendees. The records of the STRC have at all times been available for public inspection."*

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**FINDING 5**

**IT WOULD BE BENEFICIAL IF THE SCHOOL TECHNICAL REVIEW COMMITTEE PROVIDED SCHOOL DISTRICTS WITH WRITTEN GUIDELINES TO ASSIST THE DISTRICTS IN THE PREPARATION OF THEIR CAPITAL FACILITIES PLANS AND TO ADDRESS SOME ISSUES WHICH AFFECT THE CALCULATION OF SCHOOL IMPACT FEES.**

**STRC Analyzes Plans  
for Consistency With  
Ordinance and State  
Law**

The School Technical Review Committee is charged with the responsibility of reviewing and approving the school districts' draft capital facilities plans and the calculation of school impact fees. Pursuant to KCC 21A.28.154 the STRC is required to analyze the capital facilities plans for consistency with the impact fee ordinance and state law. During its review process, the committee raises questions regarding elements in the districts' plans or seeks additional information. In some cases, the committee had requested school districts to revise their capital facilities plan or change some data affecting the computation of school impact fees.

Audit staff noted that the STRC had not provided school districts with written guidelines to assist them in the preparation of the capital facilities plans. The purpose of written guidelines would be to clearly state the committee's expectations and how the school districts should address certain aspects of the plans that are required by the King County Code to be considered in the review.

**Written Guidelines  
Help Districts Staff  
Address Certain  
Accounting and Other  
Issues Affecting  
School Impact Fees**

Furthermore, audit staff noted that the STRC had not provided school districts with written guidelines to help school district staff address accounting and other issues affecting certain cost elements of school impact fees. Some of these issues are as follows:

- What are acceptable and reasonable bases that could be used when computing school impact fees for site acquisition costs, permanent facilities, and portables?
- When land is owned free and clear by the school district, what basis should be used for site acquisition cost when there is a plan to build a school on it?
- What other costs should be added to the purchase cost of core portables?
- When should the cost of completed permanent facilities be removed from the calculation of school impact fees?
- What criteria should be applied when changing the bases and methodologies used in estimating costs for site acquisition, permanent and temporary facilities, and other factors affecting school impact fee calculation?

However, in recognition of the diversity among school districts, the audit staff further noted that the objective of the guideline was not to require each school district to produce identical plans.

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**RECOMMENDATION**

- 5-1** The STRC should develop and submit to Metropolitan King County Council for its approval proposed guidelines on the preparation of capital facilities plans and the calculation of school impact fees, which include its expectations and information that should be included in the capital facilities plans. Furthermore, the written policy guide should provide directions or suggested alternatives to school districts on how to handle certain accounting issues affecting cost elements of school impact fees.

**Executive Response**

*“Agree to the recommendation but suggest an alternative implementation method. As mentioned above, KCC 21A.28.152 contains the requirements for the submission of capital facilities plans. Any guidance on the preparation of plans and the information to be submitted to King County should be included in this section. Most of the accounting issues affecting cost elements of the impact fees result from the lack of specificity in KCC 21A.43.030 adopting the impact fee formula. There is no definition of the terms or explanation of the elements to be included in the cost calculations. In addition, there is a policy issue as to whether the school district must attempt to maximize the costs or has the discretion to exclude some costs in order to reduce the amount of the impact fee and its impact on affordable housing within the school district. The Council should resolve this policy issue. The STRC will prepare a code amendment by July 2001 for the Council’s consideration to clarify the formula and to address the policy issue.”*

**FINDING 6**

**INITIATIVE 695, WHICH WAS APPROVED BY THE VOTERS OF THE STATE OF WASHINGTON IN THE NOVEMBER 1999 GENERAL ELECTION, MAY AFFECT FUTURE INCREASES TO SCHOOL IMPACT FEES BY REQUIRING APPROVAL OF THE VOTERS IN THE SCHOOL DISTRICT.**

Initiative 695 was approved by the voters of the state of Washington in November 1999 general election. The initiative, which took effect on January 1, 2000, sets the amount of \$30 as the base for the annual motor vehicle excise tax, or license tab

**Under Initiative 695,  
Increase in School  
Impact Fees May Be  
Subject to Voters’  
Approval**

fee, for all vehicles. The initiative also requires voter approval for new or increased taxes or fees proposed by the state, county and local government, including impact fees. Therefore, under the initiative, any increases in school impact fees may be subject to voters’ approval in the school districts.

Initiative 695 is currently under legal challenge by some groups in the state of Washington, and has been ruled unconstitutional by King County Superior Court. Review is pending before the State Supreme Court.

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**RECOMMENDATION**

- 6-1** King County and school districts should continue to monitor the lawsuit regarding the constitutionality of Initiative 695 and consider the implications of the upcoming decision on the implementation of the fee programs.

***Executive Response***

*“Agree. Initiative 695 is currently under consideration by the Washington State Supreme Court. If the initiative is upheld the STRC will prepare a code amendment to address its impacts on the process of adopting school impact fees.”*

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